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The AMERICAN OBSERVER

A free, virtuous and enlightened people must know well the great principles and causes on which their happiness depends. —James Monroe



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WASHINGTON, D. C.

JULY 2, 1934

Hitler Faced With Division in Ranks

Conservatives and Radicals in Open Clash as von Papen Criticizes Activities of Nazis

MAY LEAD TO POLICY CHANGES

Roots of Trouble Lie in Failure to Improve Economic Conditions

Papen Talk Bares Factional Clash in Berlin Régime—Goering Admits Discontent Is Rising in Reich—Doorn Expects Fall of Hitler; Kaiser's Return—Nazi Salute Loses Its Former Snap—Nazi Troops Show Increasing Unrest—Hitler Grip Menaced by Developing Crisis. Headlines such as these, displayed prominently in the American press during recent weeks, indicate that troubles are piling up rapidly in Germany. In some quarters it is predicted that the Hitler dictatorship cannot last and that fall will see it brought crashing to the ground.

Hitler Still Strong

The above headlines would seem to be in harmony with such an assertion, but the most reliable observers hold that there is no present reason for believing that Hitler's days are numbered. The German people are apparently as devoted to him as ever—even though they may be tiring of the wildly enthusiastic demonstrations in which they have been called upon to join time and again during the last seventeen months. And a Fascist government, by virtue of its strict and complete control over the political and economic lives of the people under it, is in a position to keep itself in office much longer in times of stress than an ordinary government could. It would be surprising if Hitler were not to retain his power for some time to come.

But there is no doubt that the Nazis are passing through the most serious crisis which has confronted them since Germany was delivered into their hands at the end of January, 1933, and which may mean important changes in the government and policies of the country. A wave of bitterness and discontent among widely divergent groups has reached such proportions that it cannot be concealed by traditional Fascist methods of censorship and suppression. Briefly, the issue is this: One faction believes that the Nazis have gone too far with their interference in business; their attacks against religion; their anti-Semitism; their muzzling of the press; their abridgment of individual liberties, and their stirring up of foreign suspicions and dislike which have resulted in a boycott of German goods and in the political isolation of Germany. This is too much, the conservative group believes. Hitler should proceed with greater moderation.

Another faction takes the opposite view, that the Nazis have not gone far enough. It maintains that Germany has seen only its first revolution under Fascism and that now it is time for a second. The drive against Jews and other declared enemies should be pushed forward vigorously. The big landowning Junkers, the large industrialists, the various reactionaries, should all be put in their places. The socialistic

(Continued on page 6, column 1)



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"HOW SWEET THE SOUND ALONG THE MARCHING STREET"

War

By RICHARD LE GALLIENNE

War I abhor
And yet how sweet
The sound along the marching street
Of drum and fife, and I forget
Broken old mothers, and the whole
Dark Butchery without a soul.

Without a soul—save this bright drink
Of heady music, sweet as hell;
And even my peace abiding feet
Go marching with the marching feet.
For yonder, yonder, goes the fife,
And what care I for human life!
The tears fill my astonished eyes
And my full heart is like to break;
And yet 'tis all embannered lies—
A dream those drummers make.

Oh, it is wickedness to clothe
Yon hideous grinning thing that stalks
Hidden in music, like a queen
That in a garden of glory walks,
Till good men love the thing they loathe.

Oh, snap the fife and still the drum,
And show the monster as she is!
Art, thou hast many infamies,
But not an infamy like this.

Old Economic Order End Seen in Events

Walter E. Myer, in Kansas Address, Cites Changes Which Have Caused Breakdown

PRESENT EVEN BEFORE CRASH

Main Task Is to Bring Equilibrium Between Producers and Consumers

Following, in part, is an address delivered by Walter E. Myer, editor of THE AMERICAN OBSERVER, at the Kansas State Teachers College, Emporia, Kansas, June 25, 1934.

The best way to satisfy ourselves as to whether we are falling definitely and permanently away from the old order of things is to get down to particulars and find out, if we can, just what were the conditions that made for the relative prosperity and security of the old days, and then to inquire whether those conditions have or have not disappeared. No one is qualified to speak with definiteness and completeness on a subject of that kind. No one has information enough about all the conditions having to do with the advancement of industry so that he can answer the question which has been raised with complete confidence. We can, however, discover some of the major influences which have determined the character of the old economic order, and we can with reasonable certainty determine whether or not these influences operate today.

The Old Order

When I speak of the old economic order, I am not thinking of the 1920's. Conditions were changing even then. Evidences of instability were beginning to appear. The America of the post-war days has in many respects differed from that of earlier periods. To arrive at a situation which conforms to the traditional American pattern we should go back half a century. Fifty years ago, the economic and political situation was relatively stable. It was not satisfactory even then to the people who lived at the time. There were jangling quarrels between the rich and the poor, between employers and employees, between the farmers and the city dwellers. There were considerable periods of hard times. But doubt had not appeared then as to the permanence of the economic order or of its essentially progressive character. Everyone assumed that conditions in general were on the mend. If a man was hard put to it to make a living, he thought he would be better off after a while. If he approached the end of his life without having realized these dreams of better days, he assumed that his children would rise to a higher level. And, as a matter of fact, in the fullness of time, they probably did. No one felt himself status bound. All were on the make and the country was on the make. It was growing more prosperous year by year and decade by decade.

Now, what were the conditions which determined the character of American life during this golden age of national progress? The forces or influences making for advancement, national and individual, were, of course, legion. It is possible, however, to state the outstanding ones. The

(Continued on page 7, column 1)

Notes From the News

Garner a Spare Tire; Pecora Heads Commission; 16,000,000 on Relief; Interstate Labor Pact; Baruch Memoirs; "Lone Wolf" Borah to Stump.

ONE of the men in the government who is least heard of is Vice-President Garner. Even the fact that he presided over the Senate seldom came into the news, for after all, the only time he could vote was in case of a tie—a rare occasion indeed. His recent description of himself to the effect that he is just a spare tire would appear on the surface to be an accurate self-appraisal.

Such is not the case, however. It so happens that Mr. Garner is one of the most influential vice-presidents in recent years. Unlike Coolidge, when vice-president, and Curtis, Mr. Garner sits at cabinet meetings, and moreover he takes an active part in shaping policies at these meetings. He serves as a liaison officer between Congress and the White House, informing the president of the attitude of congressmen on the legislation at hand, and conversely informs congressmen as to the president's line of thought. The fact that he can be trusted makes him indispensable in this capacity.

Therefore, it may be said with assurance that Mr. Garner underestimates his services to the country. One thing certain is, he can never be accused of being a publicity seeker.

Pecora Chosen

President Roosevelt has selected Ferdinand Pecora, who conducted the Senate stock market investigation, to head the new national securities or stock market exchange commission. This commission, created by Congress after much controversy, will regulate the stock exchanges of the country and will administer the Securities Act as well.

No Slump, but . . .

The administration is highly pleased that the usual summer slump in business and industry has not materialized thus far. Of course it is too early yet to become overconfident, but the present situation is somewhat encouraging.

In all but four of the past fifteen years, employment dropped in May. But this year there was a slight increase during that month. In the durable goods industries, which have lagged so miserably, the increase in employment during May amounted to 2.3 per cent. June figures are expected to be even higher, because of heavy steel orders which were placed in anticipation of labor troubles. The latest figures available from the Department of Commerce show that production and distribution did not drop, as they were fully expected to, either in May or the first part of June. Automobile production still remains higher than in any month since 1930. Postoffice receipts are up and freight car loadings remain constant. Business failures continue to be exceedingly low, and bank failures have been entirely checked. Employment in private construction registered a ten per cent increase in May.

Now that we have painted the bright side of the picture we must examine the shadows. Harry L. Hopkins, relief administrator, declares that there are 16,000,000 people on relief rolls today. Unemployment falls just short of 10,000,000. These two conditions prevail despite the fact that the government is pouring hundreds of millions of dollars into the financial and industrial structure. What may we expect when the government steps out of the spending picture? It is the hope that purchasing power will be increased to such an extent that private enterprise will

be able to carry on where the government leaves off. The administration is banking heavily on this theory. Whether it is wise or false will probably be determined during the remaining months of this year.

The Capital City

President Roosevelt thinks the tree-shaded walks of the Capital City never should bear the taint of factory smoke. It is his desire that the capital be the finest residential city in America rather than an industrial town. It should be a model of city planning, according to his ideas. Much progress has already been made in this direction with the rapid erection of many beautiful government structures. The famous Pennsylvania Avenue, which connects the Capitol building with the White House, has changed drastically in appearance in the last few years. Huge white buildings with red-tile roofs have replaced the old structures of yesterday, some of which were built more than 100 years ago.

Synthetic Rubber Tires

The first American synthetic rubber automobile tires, which have the appearance of real rubber and wear as well, have been processed. They are hailed as a potential check against excessive rubber prices and a guaranty against a rubber shortage in this country should we become embroiled in war. The synthetic rubber is made of acetylene, salt and water. The acetylene comes from coal and limestone, so all the ingredients are home products.

The du Pont Company produced the imitation product and the Dayton Rubber Manufacturing Company of Dayton, Ohio, made the tires. They have had thorough road tests and were found to be as satisfactory as genuine rubber. However, the substitute product is not expected to furnish competition in the rubber market in the near future, since it costs about a dollar a pound as compared with fifteen cents for foreign real rubber.

Cooperation of States

It is often difficult for one state to enact humane labor legislation because its neighboring state might be so lax in such matters that its industries would provide serious competition. The NRA attempted to eliminate this type of competition by effecting labor reforms in all the states simultaneously.

multaneously. While this effort has been fairly successful, the federal government has been widely criticized for intervening in state affairs.

Thus the interstate compact on labor legislation recently signed by the commissioners from seven northeastern manufacturing states, is significant. The states of New York, Pennsylvania, Massachusetts, Connecticut, Rhode Island, New Hampshire and Maine will, if their legislatures permit, undertake jointly to adopt "reasonably uniform standards." They will not, for instance, permit an employer to hire a woman or minor under twenty-one at "unfair" or "oppressive" wages. To stabilize labor laws between the signatories an interstate commission, with federal representation, will be set up.

This pact is expected to be a forerunner to many more like it. Secretary of Labor Perkins has taken the leadership in calling interstate labor conferences all over the country. There has been one in Atlanta for southern states, one in New England, one in the Midwest. Conferences are planned for the Pacific Coast, the Southwest and other regions.

This method of co-operation between the states appears to be a sound solution to avoiding the evils of state competition, and at the same time it prevents the necessity of too extensive federal authority.

Bernard Baruch Retires

Bernard Baruch, who has been a successful and prominent financier for many years, is doing an unusual thing. He is severing all his Wall Street connections with the intention of settling down to the task of writing his memoirs. The man who was chairman of the War Industries Board back in 1918 and who has been a close adviser to the New Deal administration is going to write about his wide and varied experiences. The wealth of information which he has gathered while in business on Wall Street should not only make interesting reading, but if he tells all he knows, it may prove valuable material for historians.

When the news of Mr. Baruch's plans was made public, his associates on Wall Street were quite shocked. For it is uncommon for a man who has implanted himself so firmly in the nation's financial center to withdraw completely.

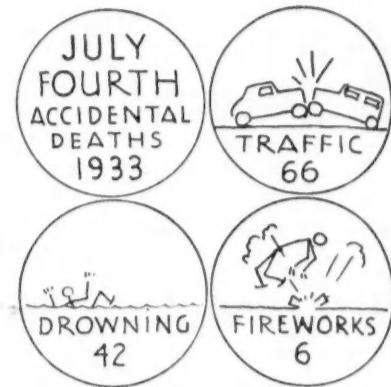
Humane Policy

Colonel D. M. MacCormack, the Department of Labor's new immigration commissioner, prevented some 1,200 deportable, but otherwise worthy, aliens from being exiled this summer under the immigration law. The colonel could see no justice in tearing these people from friends and families, while criminal foreigners legally here were allowed to remain. He asked Congress to enact a law providing for the deportation of only the undesirables. Immigration would not have been increased by such a law, since for every foreigner permitted to remain one person would have been checked off his country's quota. The measure was lost in the excitement and flurry of the closing days of the session, but Mr. MacCormack did gain authority

from Congress to stay the deportations until next session. Not only will this extension of time ward off grief and hardship for those doomed to go, but also for the members of their families who would be legally left behind.

National Safety Council

The splendid work of the National Safety Council should be known to all. It



is a cooperative association, with main headquarters in Chicago, dedicated to the conservation of human life through a continuous campaign of accident prevention in industry, on the highway, in the home, and elsewhere. In 1933 there were 4,000 members, including corporations, individuals, public officials, schools, Chambers of Commerce, clubs and civic organizations. In addition to the Chicago headquarters, there are more than fifty local branches throughout the country.

The council distributes a large amount of material on accident prevention each year. It publishes the *National Safety News*, for industries; *Public Safety*, for public officials, police chiefs, etc.; *Safety Education*, for schools; *The Safe Worker* and *The Safe Driver*, for industrial employees.

By collecting information on every type of accident, and by constantly waging a campaign informing the country of the thousands of lives needlessly taken every year through carelessness, or from other preventable causes, the National Safety Council is rendering a valuable service to the country. Any local organization or individual interested in reducing accidents in its or his community, need only to get in touch with the National Safety Council in Chicago.

Mr. Borah

Senator William E. Borah, fiery Idaho Republican insurgent, is going to take up the cudgels against the New Deal this summer. Firmly believing that the Agricultural Adjustment Act is "national suicide" and the National Recovery Act is uncontrolled monopoly, he intends to tour the country in a "lone-wolf" opposition campaign—"lone wolf" because he is as much at odds with his own party as with the Democratic administration.

It is difficult to tell just where the brilliant Idaho orator stands in politics. He is inclined to go along with the insurgent Republican senators who are running for re-election outside the Republican party, and yet these senators are more in sympathy with the underlying philosophy of the Roosevelt program than Borah. In fact, Senator Johnson of California has the blessing of President Roosevelt for his re-election campaign in the fall, even though he is a Republican. The president also is expected to give at least tacit support to such Progressive Republicans as Senator La Follette of Wisconsin and Senator Bronson Cutting of New Mexico.

Borah's coming campaign is nothing new for the Idahoan. He has always inclined to go it alone. Because of his superb powers of oratory, he is expected to draw large gatherings wherever he goes. But close on his heels will be the New Deal campaigners, attempting to show that Borah is a nice person but that he doesn't know what he is talking about.

Successor for Tugwell

It appears that M. L. Wilson will be selected to succeed Rexford Tugwell as assistant secretary of agriculture. At present Mr. Wilson is head of the Interior Department's Subsistence Homestead Division. He was formerly in the Department of Agriculture as chief of the wheat section of the Farm Administration, and was the author of the domestic allotment farm relief plan after which the Agricultural Adjustment Act was modeled.



THE S. S. HOUSTON—ON WHICH PRESIDENT ROOSEVELT IS TAKING HIS VACATION

AROUND THE WORLD

Great Britain: Sir John Simon, British foreign secretary, emphatically stated in the House of Commons on June 21 that Great Britain will not sign any mutual assistance treaties involving continental Europe. She will not undertake any obligations beyond those already imposed by the Covenant of the League of Nations and the Locarno pacts. But despite this reassertion of Britain's traditional policy of avoiding entanglements in Europe, it is believed that some Franco-British arrangement may be worked out in the near future. Recently General Weygand, inspector general of the French army, visited London and talked quietly and earnestly with Viscount Hailsham, British minister of war. He will be followed by Foreign Minister Louis Barthou who is devoting his principal energies to strengthening the security of Europe.

There is a possibility that the official British attitude is undergoing a change in view of Germany's increasing rearmament. The British Isles would be quickly accessible by a squadron of war planes, and officials are known to be worried over what might happen in the event of a new war. The increase of air, land and naval forces is therefore being seriously considered. In addition there is talk of a treaty to neutralize the low countries—Belgium and the Netherlands. This territory constitutes Britain's first line of defense and there are signs that she is thinking of joining into an agreement with France to protect them against attack from an aggressor.

British naval plans have already been made known to Washington in the course of advance discussions which got under way in London recently. Britain is not satisfied with the levels imposed by the London treaty and believes that a larger navy is necessary for her safety. Under the London agreement, Britain is limited to fifty cruisers. She now wants seventy, which is the number she sought in the unsuccessful Geneva naval conference of 1927. The British have asked Washington for a decision on this question and discussions in London have been suspended in the meanwhile. The Roosevelt administration, while naval-minded, is not anxious to increase its expenditures on the navy in view of the heavy drains which have already been placed on the budget.

* * *

Rumania: Rarely have foreign visitors been received with more enthusiasm than that accorded to French Foreign Minister Louis Barthou by Rumania. M. Barthou was treated by Bucharest like some conquering hero returning home. He was made an honorary citizen of the country and everywhere he went large crowds turned out to applaud him wildly. In return M. Barthou did the magnanimous thing and said to the Rumanians: "Anyone who touches an inch of your soil will meet not only with your opposition but with that of France, who is with you heart and soul." M. Barthou is known to be exceptionally well pleased over the result of his visit to Bucharest, because for some months there has been talk of a Fascist uprising in that



SIR JOHN SIMON

country which would make Rumania pro-German. King Carol is said to have assured France of his warm friendship.

M. Barthou's visit coincided with a meeting of representatives of the Little Entente—Czechoslovakia, Yugoslavia and Rumania—in Bucharest. This group of nations, first established as a fairly loose organization, has been assuming an increasingly important place in European affairs and is now the nucleus of the proposed Franco-Soviet mutual assistance treaties. At its meeting the Little Entente agreed to support all projects for the security of Central Europe, expressed its determination to resist a return of the Hapsburgs in Austria, noted with satisfaction the restoration of normal relations between Soviet Russia and Czechoslovakia and Rumania, and approved the recently concluded Balkan pact.

* * *

China: The negotiations between China and Japan for a settlement of differences arising from the separation of Manchuria from China are meeting with results. The Chinese have agreed to resume railway traffic between Peiping and Mukden which has been suspended for nearly three years—since the beginning of the Japanese offensive in Manchuria. This is one of the most important points for which Japan has been pressing for settlement. All along the leaders of the Nanking government have been disposed to come to an agreement with Japan but have been restrained because of the more hostile attitude of South China. This latest concession may succeed in further alienating the southerners.

* * *

U.S.S.R.: Why is Soviet Russia, which has consistently derided the League of Nations as an instrument of capitalist powers, as a weapon of imperialism, now so willing to enter that body? Louis Fischer, Moscow correspondent of the *Nation*, gives the following answer:

settled directly with those countries. This is the official Japanese view.

An American official, who likewise preferred to remain anonymous, replied that Washington was not interested in a non-aggression pact with Japan on such a basis. The United States sees in the Japanese maneuver an effort to obtain an assurance that they will have a free hand to deal with China and Russia in the Far East. The signature of a nonaggression pact by the United States would likewise be a tacit admission that the Nine Power Pact is no longer valid—an admission which the Japanese have been seeking. Japan, therefore, has nothing to expect in this line from the United States. She has also been rebuffed in her effort to have her premier, Makoto Saito, meet President Roosevelt on his visit to Hawaii. The president refused to consider such a meeting for fear that it would give rise to the opinion that the United States and Japan were dividing the responsibility for the Pacific between themselves.

* * *

Austria: Chancellor Dollfuss will soon make another visit to Italy to confer with Mussolini. While it is stressed that the visit was arranged before the Hitler-Mussolini conversations and is not a consequence thereof, there is no doubt that the Venice rendezvous lends added weight to this new visit by Dollfuss. The little chancellor will be anxious to know just how his country will fare under the new Italo-German agreement.

The cardinal point in that accord was that Austrian independence should continue and that normal conditions should be restored. It is reported, however, that the Nazi campaign against Austria has not ceased. Bombings continue in Austria and inflammatory speeches are still being made across the border. It is said that Theodor Habicht, Hitler's agent for Austria, was extremely angry when he heard of the results of the Hitler-Mussolini talks and is reluctant to give up the campaign.

* * *

Germany: It appears that the Stalhelm, the famous organization of war veterans which would like a restoration of monarchy, is to be disbanded. Frequent clashes between members of the Stalhelm and the Nazi Storm Troops are given as the reason. Recently a local Storm Troop leader was knifed by a Stalhelm leader. This led to a Nazi announcement that the existence of the Stalhelm was no longer bearable. For some time there has been an effort to merge the Stalhelm and the Storm

Troops, but the former have resisted, preferring to retain their identity. If they are disbanded it will be a victory for the radical Nazis.

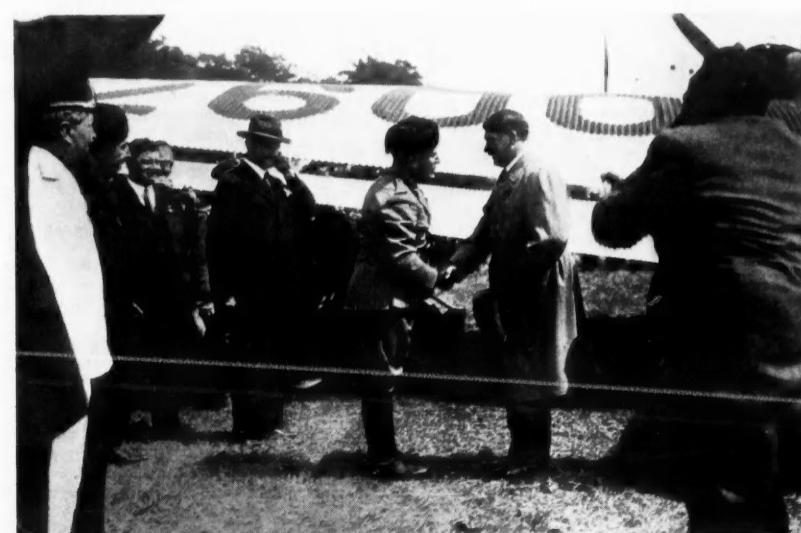
At the same time there are indications that the power of the Storm Troopers is to be curbed. They have been ordered to cease wearing uniforms during the vacation month of July, and it is possible that many of them will not be called into service again at the end of that period. It is plain that government officials in Germany would like to be rid of the radical-conservative dispute until they can straighten out their critical economic difficulties.

Meanwhile, the financial crisis grows worse. With the gold reserve practically nonexistent the Nazis are trying to stave off a trade war threatened by Great Britain in retaliation to the announced moratorium. A special delegation was sent to London to confer with the British. The German people are becoming frightened lest the nation be catapulted into inflation. A buyer's panic has begun as Germans hasten to turn their available cash into tangibles.

* * *

Cuba: The position of the Mendieta government has become more precarious as the result of the resignation of four cabinet members who belong to the Fascist-inclined ABC society. The resignations were tendered because of the ABC's dissatisfaction with Mendieta's efforts to curb the wave of radicalism which has been sweeping over the island. The organization demanded the dissolution of the navy which it claimed was composed mainly of radical elements; a majority of cabinet posts for its own members; the subordination of the army which has always been the dominant factor in Cuban politics, and the disbandment of all radical organizations. Mendieta could not grant these requests without risking civil war, and the ABC withdrew its support of the government. As the situation stands now both radicals and conservatives are hostile to the Mendieta government. Only the support of the army keeps it in power.

Gerardo Machado, the ex-dictator who is wanted by Cuba on murder charges, is reported to have taken refuge in Santo Domingo. He had previously been in New York but fled when Cuba sought to have him arrested and extradited. Now it may be difficult to get him out of Santo Domingo, because he is said to be the guest of President Trujillo. The story is that Machado paid Trujillo \$8,000,000 for assurance of protection.



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DER FUEHRER MEETS IL DUCE
Mussolini greets Hitler upon the latter's recent arrival in Venice for conversations.

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Our Changing Economic Order

(Concluded from page 7, column 4)

tion and consumption was disturbed. We have seen that a number of causes contributed to a falling off in the demand for goods. Consumption on the whole did not actually decline. But it grew less rapidly than production did, for production was going forward by leaps and bounds. The income to industry was very great. This increasing income of corporations, for nearly all the business of the country was done by corporations, would have justified an increase of wages, or a decrease in the prices of goods. If either of these things had happened, if wages had increased or if the prices of goods had fallen, the purchasing power of the American people would have been greater. It would have been greater by the amount either of the wage increase or the price decrease. The people, as consumers, could have consumed more. But because wages did not increase much and because prices did not fall much, a very large share of the income to industry went to the owners. These owners, being few in number, were unable to consume great quantities of goods. They did not use their money that way. They put it back into industry. They reinvested it. This meant that there was an enlargement of plants and factories and an increase of equipment. It meant that the producing power increased. It meant that production mounted. After a while more was being produced than the people, with their relatively stationary purchasing power, were able to buy. Surpluses began to appear.

In the earlier days, half a century ago, a condition of this kind would have led to a cut in prices and perhaps to a rise in wages. Competition would have brought about that result. But during recent years, competition in American industry has been a declining force. Our industry, in the hands of a relatively small number of corporations, has become monopolistic in nature. Our producers have been able to agree among themselves and hold up prices. In other words, they have been able to keep money in their own hands and to check the purchasing power of the masses. This is a central fact in the whole economic situation. It is a new development in American economy. It indicates that the equilibrium between consumption and production, which is necessary if industry is to be stable and if crises are to be prevented, is no longer being maintained by automatic processes. Competition is no longer looking out for it. Our price system has become rigid so that when surpluses threaten to come they are not avoided.

This accumulation of surpluses which the people, without increased buying power, could not purchase, could result eventually only in breakdown. That should have been apparent during the days of so-called prosperity. The danger was, however, concealed for a while by a forced sale of surplus goods. This forced sale was stimulated through the making of loans. We said a while ago that foreigners were unable any longer to buy greater quantities of American goods. But for a while previous to the crash, Americans made huge loans to foreigners and this inflow of money from foreign countries created a balance which could be used in the purchase of American goods. American exports were therefore for a time stimulated in a manner which was artificial and necessarily temporary. The purchase of goods at home was for a time stimulated in a similar manner. The installment buying system grew up and people without purchasing power enough to consume what was being produced did buy it nevertheless by deferring payments to the future. After a while this plan of selling products through loans to the buyers had to be discontinued, and then came the crash.

By way of recapitulation, we may say then that certain major influences which have been responsible for past American prosperity—factors which upheld the old economic order in America—have now ceased to operate. We do not have any longer a growing population. We do not have an outlet in the West. We no longer have the opportunity that we had of selling large quantities of our goods abroad. American agriculture no longer produces goods which compete effectively with the agricultural products of the rest of the world. Our farmers have lost their export markets and their old prosperity. The industrialists must face a curtailed agricultural demand for goods. The competitive system operates less effectively than it did, so that a balance between production and consumption is no longer maintained by the seemingly automatic process by which it formerly operated. We are therefore threatened with recurring periods of surplus, which mean the wholesale closing of factories, and unemployment.

Mechanization of Industry

Another new factor can be added to the already imposing list. I refer to the recent rapid mechanization of industry by virtue of which the labor of human beings is displaced by the action of machines. This process has always been going on, but recently it has proceeded with such rapidity that millions of people were thrown out of work even during the time of prosperity. During the 1920's, when production was going forward by such great leaps, the number of men employed in the manufacturing industries actually declined. Unemployment had become a very serious problem before the crash in 1929, and today it is estimated that because of the increasing use of machinery 5,000,000 men would be unemployed if production in the United States should suddenly come back to the 1929 level.

It is not true to say that things were going well in the 1920's and that our economy became disordered in 1929. There was serious disorder before that, due to the fact that conditions favorable to national prosperity no longer prevailed, and due to the further fact that our productive and distributive processes were thrown out of balance. These forces, adverse to the recapture of the old economic stability, continued after 1929 and they are still in operation.

Much has been said lately about the possibility of a collapse of our economic system, and naturally there has been speculation as to what would happen in that case. What would a collapse be like? For the answer, look about you. The system has already collapsed. It is not self-operating. The American people are not making a decent living. Our industries are not standing on their own feet. There would be utter chaos today if the government were not using its credit to maintain through loans the railroads, the banks, and many large private corporations. The government is coming near to underwriting the entire debt structure of the country. It is using its credit to underwrite loans on farms and residences. It is supporting our great economic and financial institutions. It is feeding a fair share of the American people. To do all this, it is going heavily into debt. The debts are mounting at such a terrific rate that the process cannot be indefinitely continued. The situation which exists today is an impossible one, except for a temporary period. Our hope is, of course, that through the governmental spending the pump may be primed and private industry may stir into life. That hope has not yet been realized. If results are not obtained after a while, if the government must continue to use its credit, it is difficult to see how budgetary inflation can be avoided, and if that comes, the result may be chaotic.

Can the Pump Be Primed?

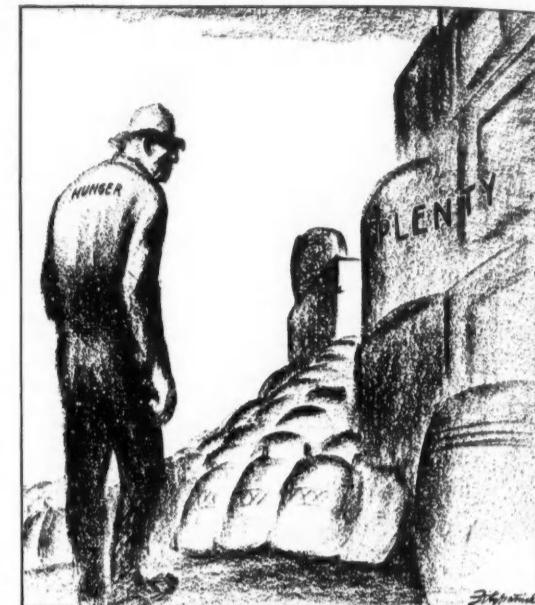
It is quite possible, of course, that the pump may be primed. There is, I should say, a fifty-fifty chance that the construction and other capital goods industries will become fairly active within the next year. In that case, the long-suspended demand for houses and furnishings and equipment and many other things which people have denied themselves for several years may be sufficient to give us a fair stimulation of business. We may have rather rapid recovery. But population will still be stagnant. Export opportunities will still be meager. Agriculture will still be depressed, except for the stimulation furnished by subsidy. The productive and distributive machinery will still be out of gear. There is reason to believe that all the old ills which were pointing in the direction of crisis ten years ago will still afflict us.

I hope that I am not giving an impression of cocksureness as I describe our economic plight and the conditions under which the present state of things has developed. I realize how many and obscure are the forces which determine what we call an economic order. I realize how impossible it is for any man to speak with confidence and assurance of the future. I know full well that there may be in operation healing and curative forces which I have overlooked—forces which may perhaps restore the old prosperity without the abandonment of the *laissez-faire* principles of government which we have maintained throughout our history. I do not presume to outline certainties to you. But I do feel impelled to portray the probabilities as I see them, and probabilities are all that any man has as a basis for his conclusions. My hope is that the old economic order and the old political philosophy which evolved from it are vital enough to avert disaster. My belief is that they are not. My opinion is that our experiment in unplanned and unthinking capitalism is coming to a tragic end.

A Planned Economy

This conclusion is not necessarily pessimistic. For there is an alternative to an unplanned economy and a *laissez-faire* practice, and through the acceptance of that alternative, which is a planned economy, we may assure ourselves an abundance of the goods of life beyond anything which we have realized in the past. We have the natural resources. We have the man-power. We have the machinery and the inventive genius. All that we need to do is to put these forces to work. Our economic machinery has never worked very well. We have never produced as much as we should have produced. We did not produce enough in 1929 to give our people a decent standard of living. We need to set our farmers to work producing all the food they can raise so that no one will be hungry in the land. We need to set our cotton planters to work so that all may be clothed. We need to operate our mills and factories at capacity so that all of us may enjoy the good things of life to the full.

But before we can put our productive energies fully to work, we must give our people the means to purchase the things produced. The great demand now is for a distributive system which will increase the purchasing power of the American people. That is a difficult job, but it is not necessarily impossible. We know that in the past, during periods of advancing prosperity, wages have not kept pace with profits, nor have prices gone down when profits have advanced. The result, as we have seen, has been that too much of the product of industry has been retained as profits and hence has gone back into



THE MODERN PARADOX

—Fitzpatrick in St. Louis Post-Dispatch

production, creating after a while a larger quantity of products than the people, with their halting purchasing power, could absorb. The times demand action correcting this maldistribution which has resulted in economic chaos and threatened social disaster.

It may be possible to bring about this redistribution of income within the framework of our capitalist organization of society. I cannot tell you in detail how the thing may be accomplished. If I could, I would not be here lecturing today. I would be the great national "brain trust." Certain measures, however, have been proposed in responsible quarters for the effecting of the desired result. A system of profit-sharing would perhaps help. Social insurance would look in that direction. The taxation of profits would be a step toward the end. The adoption of some sliding scale of wages, the control of monopoly prices, the establishment of some means effectively to protect the interests of consumers—all these are possibilities. The goal of such purposeful social action is not the restoration of the old economic order, even that which flowered in the last quarter of the nineteenth century. It is the establishment of a stability and security and prosperity among the American people which would for the first time constitute a fair realization of the century-old American dream.

Roosevelt Administration

Does the Roosevelt administration see that vision of a more prosperous America, of an America saved from the threat of chaos through a radical attack upon our processes of distribution? We have had hints that it does. The Tennessee Valley project, the plans for the movement of populations, the development of subsistence homesteads, the advocacy of social insurance legislation—these measures fit into the picture of radical reconstruction. But in the main, the Roosevelt administration has been concerned with immediate relief—relief for corporations, relief for debtors, relief for the unemployed, of the hungry.

The feature of the Roosevelt program which has probably drawn most fire from conservatives is essentially conservative in nature. I refer to the Agricultural Adjustment Administration. The effort of the agricultural act is merely to put farmers into line with the rest of industry. The very essence of capitalist practice is the maintaining or creation of scarcity, in order that prices may be high and profits ample. Manufacturing industry, through the control of output, has been able to put the capitalist philosophy into practice. But farmers have not been able to do so because they are so many and so scattered. The government now steps in and helps them to practice the rule which has always been followed by the industrialists. This is a conservative attempt to bolster one of the crumbling pillars of the capitalist structure.

It may be said for the Roosevelt administration that it is flexible and experimental. The president is a politician and hence knows quite well what can be done. He is surrounded by men who are not politicians and who hence are disposed to think of what should be done. This combination may lead us to new ground. It is possible that the administration may after a while strike effective blows at *laissez-faire*. It may violate some of the principles of traditional American doctrine, the doctrine which is consonant with a decaying order of things. But there is little reason for the conservatives to fear a violent attack upon their system by the administration. After all, we have representative government in this country. Those who are in power in Washington still listen to majorities. If radical action is taken, it will be because the majority consents, and if I read the mind of the majority correctly, consent will not be given unless conditions become so hopeless that the old traditions will already have become mere shadows. My conclusion is, therefore, that this is not a "Roosevelt Revolution." The forces making for change are not propelled by the president or his advisers. These forces were battling against the bulwarks of the old order long before the president and his men assumed the leadership of our government.

The American people, in my opinion, stand today in the midst of their greatest crisis. The capitalist system is meeting a supreme test. Business, left to itself, broke down. There seems little likelihood that, unguided by measures of social control, it can regain the equilibrium and balance it has lost. The Roosevelt administration is undertaking to give capitalism new life and stability by governmental subsidy and assistance, coupled with a considerable measure of governmental control. More drastic measures of social planning and control appear to be necessary. Governmental responsibility for the distribution of wealth and income seem to be imperative to the end that chaos may be averted and that the more abundant life may be realized.



RUGGED INDIVIDUALISM GETS AN EARFUL
—Kirby in N. Y. WORLD-TELEGRAM

Many motorists appear willing to meet the other car more than half way.

—Washington STAR

WITH AUTHORS AND EDITORS

We read old books for their excellence, but new ones to share in the mental life of our time.—SATURDAY REVIEW OF LITERATURE.

Youthful Vagabonds

"Boy and Girl Tramps of America," by Thomas Minehan. New York: Farrar and Rinehart. \$2.50.

M. MINEHAN, who is a young professor of sociology at the University of Minnesota, presents a vivid, realistic, though shocking, picture of the armies of half-starved, ill-clothed young people who, having torn themselves from poverty-stricken parents, are roving about the country—begging, sleeping in hobo jungles, traveling in box cars and on highways. Boys and girls alike are taking part in this tragic wandering of American youth. Young tramps, toughened and hardened by their hideous experiences, demonstrate that the social consequences of the depression have by no means made themselves fully felt at the present time.



ILLUSTRATION FROM "BOY AND GIRL TRAMPS IN AMERICA"

Few outsiders have more of an inside knowledge of the everyday lives of these youthful vagrants than does Mr. Minehan. He has gone out among the unfortunate youths, disguised in shabby clothes. For three years he mingled with them, lived and traveled as they did, learned their habits, their trends of thought, their methods of acquiring food and clothing. Thus he writes of these victims of poverty as one of them. In his concluding chapter, he says:

The Civilian Conservation Corps has done little to check the exodus of children. It enlists only boys and not all of them. To be eligible a youth must be eighteen. Fully half the boys and girls on the road are younger. He must have dependents, a residence, and a reference. Many of the boys lack more than dependents. They lack a home. . . . Furthermore, the corps is a forestry conservation corps interested primarily in saving our forests. What we need is a new Child Conservation Corps which will have as its purpose the saving not of our forests a hundred years from today, but of our boys and girls growing into the men and women of tomorrow. . . .

What we need precisely is a national plan of youth camps not unlike the youth camps in Europe. For while the problem of wandering youth is new in America it is old in Europe. . . . After the war almost every home in Germany was clothed in anguish and despair. Youth tried to escape from the homes ruined by the war even as our own youth is trying to escape from homes ruined by the depression. It took to the road . . . inexpensive summer camps were established for them. The purpose of the camps is to develop the bodies and personalities of the youths. Setting-up exercises are a part of daily routine. Games, contests, plays, community singing, debating, all belong to the camp life. There are libraries, a discussion hall, special lectures, health and psychiatric clinics. Part of the day is spent in manual labor, part in study and discussion, part in recreation and play. The morale of youth is maintained. Its potentialities are increased through learning and labor. The camps are maintained by the state for the youths.

Though this volume sustains attention

throughout, we believe that teachers will find it of greater interest and significance than students.

An Anthology

"Designed for Reading—An Anthology," by the editors of The Saturday Review of Literature. New York: The Macmillan Company. \$3.

THIS is a book which should have a wide appeal to the literary-minded. It is a compilation of the more important articles that have appeared in *The Saturday Review of Literature* during the last ten years. The selection has been made in such a way as to provide a wide and diversified range of topics. There are articles on modern writing by a number of eminent American and British writers and critics. There are reviews of the outstanding books that have appeared during the decade. Poetry, short stories, humorous selections, articles on such aspects of writing as form and style and book reviewing are included by the editors of the *Review*.

It would be impossible here to list all, or even a part of, the writers represented in the anthology. Suffice it to say that it is a royal galaxy, many of them topnotchers in the field of literature. It is a pleasure for the connoisseur to refresh his memory, for he will find in these pages essays or selections about which he has all but forgotten. But more than that, the book will serve to enlighten the average layman in the literary arts. Not only will the thoughtful articles enable him more intelligently to judge the merits of literary offerings, but the wide field covered by the anthology will familiarize him with writers who have held the center of the stage during the last decade.

Picture of American Life

"American Civilization Today," by John T. Greenan. New York: McGraw-Hill.

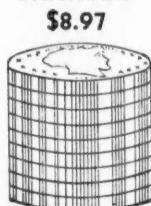
THIS volume is one of a series of social and commercial studies being published by McGraw-Hill. It is a description of contemporary American civilization, based on the tremendously valuable findings of President Hoover's Research Committee on Recent Social Trends. Mr. Greenan has made a thorough study of the mass of material put out by President Hoover's Committee and has condensed the broad features of the material into a small book of 150 pages.

Despite its miniature size, the importance of this book cannot be overemphasized. It is, in effect, a motion picture of the epoch-making events which have taken place in American civilization during the last generation. The changes which have occurred in agriculture, labor, industry, government, education, religion and science are portrayed. The author is objective in presentation, rather than dogmatic. He does feel, however, that since the forces of modern life are so complex, we must yield to a greater amount of social planning in order to cope with our complicated problems. We must



PHYSICIANS

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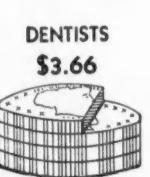
DRUGS

\$5.47



DENTISTS

\$3.66



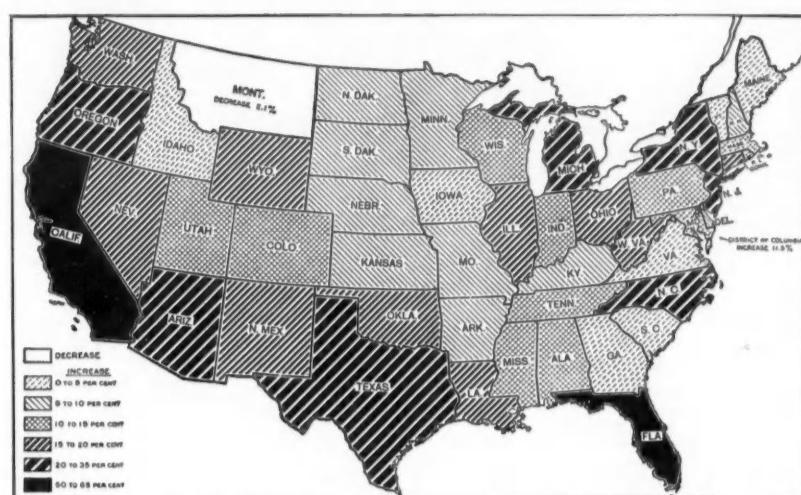
SOURCE: COMMITTEE ON THE COSTS OF MEDICAL CARE

ALL OTHER

\$3.28



THE ABOVE CHART SHOWS THE AVERAGE ANNUAL COST OF MEDICAL CARE FOR EACH PERSON IN THE UNITED STATES.



—Illustration from "American Civilization Today"

RATE OF INCREASE IN TOTAL POPULATION BY STATES, 1920-1930

pay more and more heed to fact-finding surveys than to the gabble of politicians.

Research committees, he believes, will play an increasingly important role in determining local, state and national policies.

He goes on to say that "it is not impossible that there might in time emerge a National Advisory Council, including scientific, educational, governmental, economic (industrial, agricultural and labor) points of contact, or other appropriate elements, able to contribute to the consideration of the basic social problems of the nation. Such an agency might consider some fundamental questions of the social order, economic, governmental, educational, technical, cultural, always in their interrelation, and in the light of the trends and possibilities of modern science."

At the end of the textual material of each chapter are the following student-teacher helps, increasing the value of the book from an academic standpoint: (1) Vocabulary drill on difficult words and expressions used therein; (2) easy review questions; (3) easy readings on the same or related topics in simple high-school texts; (4) more difficult questions and exercises to be done and (5) more difficult readings in advanced books.

Planned Foreign Trade

"The New Internationalism," by Clark Foreman. New York: W. W. Norton and Company. \$1.75.

IN THIS book, Mr. Foreman has attacked one of the important problems of our present-day economic life, that of international economic relations. After analyzing adequately the old system of international relations, economic and political, the author undertakes to show how that system has broken down and how it can no longer function smoothly under the conditions that prevail in the post-war period.

It is Mr. Foreman's contention that international trade in the future must be conducted between national governments rather than between private individuals or companies as it has been in the past. As an antecedent condition to the establishment of this new type of internationalism, there must be a large scale of national planning in the various countries of the world. If individual nations are going to govern their internal economic affairs according to a definite plan, they must naturally regulate the inflow and outflow of goods in like manner. That *laissez-faire* economy can function in the international field when it has ceased to operate in the

domestic is not only absurd, but also impossible, believes Mr. Foreman.

This book has much to recommend it. It may be that the author's predictions of a "new internationalism" will not be realized. But his diagnosis of the ills of the present international set-up is thoughtful and reliable.

The June Issue of Review of Reviews

contains an informative article on steps which are being taken to reduce medical costs. Under the title of "Cutting the Cost of Sickness," Mr. J. H. Chamberlain states that the trend is definitely toward group practice and group payment as a means of enabling the patient to pay his bills and give the average physician an adequate, regular income. He points out the well-known fact that the average family cannot afford to obtain proper medical attention under present conditions. Mr. Chamberlain does not advocate state control of medical care, but he thinks that doctors should voluntarily look toward a greater degree of collective action, that they should get together to reduce overhead and provide more comprehensive service.

DISSENSION IN GERMANY

(Concluded from page 6, column 4)

trusts and the division of land estates. A new social order for the "little man" was to be created. But the Germans have not yet tasted their new social order and many of them are becoming skeptical. They see that the large industrialists who supported Hitler continue to pile up profits. The workers have had their wages reduced and they no longer have powerful trade unions to bargain for them. Numbers of them are secretly wondering if Hitler has not betrayed them.

On the other side, the industrialists, the land barons and the conservatives in general are worried lest Hitler fall in with the radicals, which would probably result in their destruction. There is undercurrent talk of bringing about a military dictatorship in the fall to be followed later by a return to monarchy. But such a development does not appear likely. The Nazis are too strong, the Storm Troopers are too well versed in methods of suppression, to be easily overthrown. Hitler is not yet on his way out, but he is in an extremely difficult position. His decisions during the next few weeks or months will be watched with tremendous interest.

Dissension in the Third Reich

(Continued from page 1, column 1)

promises made by Hitler—such as the division of land estates—should be carried out and Fascism should become a real worker's movement rather than a tool of the capitalists to preserve their gains and interests. The more radical members of this Left group have earned the name of National Bolsheviks.

A third faction steers a middle ground, ready to follow Hitler in anything he may decide, but hoping that he will pursue the more moderate course. This group consists of Nazis whose devotion to their leader is more important than their political and economic ideas. If Hitler wants



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CHANCELLOR HITLER

them to help smash the conservatives, they will do so. And if they are told to drive against the radicals they are equally, and even more, ready.

The Personalities

At the head of the conservatives stands Franz von Papen, vice-chancellor, and the man who, more than any other, engineered the arrival of Hitler to power. He is warmly supported by President von Hindenburg, his close personal friend. And supporting him, too, are Baron von Neurath, foreign minister, Dr. Kurt Schmitt, minister of economics, Dr. Hjalmar Schacht, head of the Reichsbank, and Franz Seldte, leader of the Stahlhelm war veterans' organizations. The Stahlhelm itself, which has monarchist inclinations, is behind the conservatives as also are the large landowners and industrialists, many of whom are now regretting their earlier willingness to have Germany placed in Hitler's hands.

The radicals—the National Bolsheviks, as some prefer to call them—are led by Paul Joseph Goebbels, minister of enlightenment and propaganda. Dr. Goebbels is Hitler's chief rabble rouser. A gifted orator, skillful propagandist and keen thinker, he has instilled countless thousands of Germans with unbounded enthusiasm for Hitler and Hitlerism. Siding with him are Captain Ernst Roehm, head of the Storm Troops, Richard Walter Darré, minister of agriculture, Dr. Robert Ley, head of the German labor front, and Julius Streicher, publisher of *Der Stürmer*, violent anti-Semitic newspaper. The Storm Troopers, who number at least 1,300,000 and who include many former Communists, are for the most part solidly behind the radicals. And the working people, to whom Hitler made abundant promises, are generally sympathetic with them.

The middle group does not appear to have so many names connected with it. Chief among them are General Goering, premier of Prussia, and Rudolf Hess, deputy leader of the National Socialists. This faction, which numbers many thousands of Germans, is ready to follow the leader, Adolf Hitler, blindly. Its attitude was given in a recent speech by Herr Hess, in

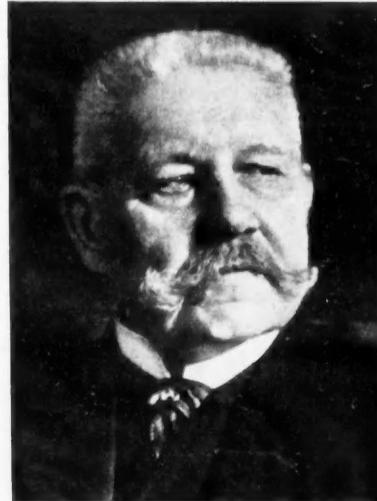
the course of which he said: "One remains exempt from any criticism, and that is the leader. Everyone feels and knows he has always been right and always will be right. Our National Socialism remains founded on unquestioning loyalty and devotion to the leader, never asks 'the reason why' and always executes his command in silence. I believe that the leader is following a course directed from on high to shape Germany's history. In these circumstances there is no place for criticism."

First Blow Struck

The split between radicals and conservatives has been in existence since the first days of Hitlerism, but only a short while ago did it assume threatening proportions. The first conservative blow was struck on June 17, by Vice-Chancellor von Papen. In a speech before university students in Marburg, the vice-chancellor launched a carefully worded attack upon the Nazis. (Von Papen himself is not a Nazi but a former member of the Catholic Center party who later made common cause with the Hugenberg Nationalists and engineered the first Hitler coalition cabinet.) Herr von Papen deplored the absence of a free press, the anti-religious campaign, the Nazi terrorism and other repressive practices of the Hitlerites. He made a thinly veiled plea for a return to monarchy.

The speech caused a furor in Germany. Dr. Goebbels, who controls the press, immediately banned its publication in Germany and made a biting reply. It is reported that the vice-chancellor offered his resignation and that Dr. von Neurath, Herr Schmitt and other conservatives were prepared to follow him out of the cabinet. Rudolf Nadolny, Reich ambassador to Soviet Russia, actually did resign because of Hitler's unwillingness to conclude a non-aggression pact with Russia. But the chancellor refused to accept von Papen's resignation, and he managed to smooth over the dispute between the vice-chancellor and Dr. Goebbels. At the same time, he made a hurried visit to President von Hindenburg, who presumably urged him to use greater moderation.

Hitler's position in this controversy is somewhat vague. He is trying to remain in a middle position, pacifying both the conservatives and radicals. It is said that he approves of many criticisms made by von Papen, but that he regrets their having been publicly proclaimed. If it should come to a showdown, however, it is believed that Hitler would lean toward the radicals. Among the extremists are his most loyal comrades, men who have worked for years with him to bring National Socialism into power. And the chancellor has always been faithful to his friends. Moreover, the majority of party members and the Storm Troops are radically inclined. In previous controversies Hitler has followed the wishes of the majority in his party. He will, however, try



© W. W.
PRESIDENT VON HINDENBURG



© Acme
PROPAGANDA MINISTER GOEBBELS

to keep the radicals from becoming too extreme. But there is a belief that sooner or later Hitler must decide and throw his weight to one side or the other.

Economic Conditions

So much for the purely political side of the problem. More important, in the long run, is the economic side. Whether National Socialism becomes more radical or more conservative will depend largely on how the nation continues to fare economically. It is the economic problem, too, which will determine whether the Nazis can continue to remain in power indefinitely.

Other nations have recently had the economic situation of Germany brought vividly to their attention. On June 14, Dr. Schacht declared a complete moratorium on all foreign bonds, including the Dawes and Young loans which were thought to be among the safest of investments. A few days later the Germans announced that they would limit their daily purchases of foreign goods to the amount of their daily income from foreign sales.

These steps were taken to protect what little remained of the Reichsbank's gold reserve. The ratio of gold to outstanding money in circulation has dwindled to about two per cent—almost the vanishing point. Desperate measures are being resorted to in order to avoid devaluation of the mark, which many think is bound to take place soon.

Trade Balance

This state of affairs is due largely to the fact that the favorable balance of trade which existed when Hitler came into office has been turned into an unfavorable balance. The Nazis are unable to sell abroad as much as they have in the past. Nations which were formerly good customers have resorted to boycotts of German goods because of Nazi terrorism against Jews, Communists and other enemies of Hitlerism. The effects of this attitude on the part of other nations are described as follows by Robert L. Baker in the July *Current History*:

In 1932 Soviet Russia bought industrial equipment from Germany to the value of 626,000,000 marks; in 1933 Soviet purchases fell to 282,000,000 marks. German exports to Russia decreased further in the first quarter of 1934 and amounted only to 21,000,000 marks. Unless there is a sudden restoration of Soviet-German friendship, it is likely that in 1934 Germany's exports to Russia will shrink almost 70 per cent in comparison with 1933. Many other countries are cutting down their imports from Germany. France reduced her purchases last year by 400,000,000 marks and is still strictly applying her quota system. Scandinavian imports from Germany in 1933 fell 41,000,000 marks below those of the preceding year, while those of Finland declined to the extent of 6,000,000 marks.

The Nazis have been unable to impose severe restrictions on imports because German industry, under the stimulus of gov-

ernment encouragement and as the result of a natural upturn of business, has been in constant need of foreign raw materials. But now, with gold reserves almost totally depleted, it will be necessary drastically to curtail imports with consequent hardships for the German people. The British and French, angered by the moratorium, are preparing trade wars against Germany.

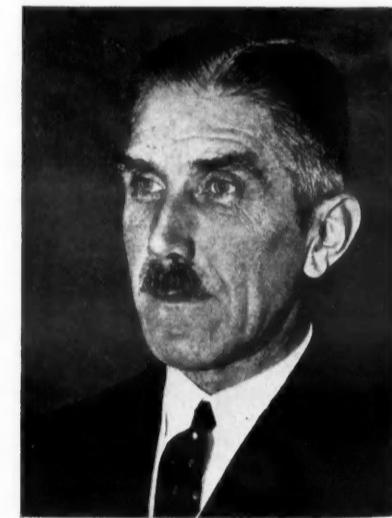
Production Up

But while the financial situation is critical, there has been a certain improvement in German industry. German official figures show that unemployment has decreased from 6,000,000 to 2,500,000. The production of goods has increased considerably, and on the whole there is greater business activity than there has been since 1931. It is significant, however, that the increase which has taken place was already well under way before January, 1933, when Hitler became chancellor. Better business conditions may be attributed more to the fact that a natural revival of business was begun in 1932, aided by the policies of the now despised former Chancellor Brüning and by his successor, von Papen. So writes Frederick T. Birchall in the New York Times:

Pig iron production reached its lowest level, 268,000 tons, in August, 1932. In January, 1933, before Hitler was appointed chancellor and a month before the Nazis came into full power, it had recovered to 403,000 tons. Steel production dropped to its lowest figure of 392,000 tons in September, 1932; by January it had recovered to 542,000. Even more notably the output of textiles, shoes, household articles and other consumption goods, which began to increase rather earlier than did that of heavy goods like iron and steel, had a pronounced boom in the half year preceding the National Socialist Revolution, and since then has progressed rather more slowly.

Wages Down

It appears, therefore, that the Nazis have not benefited Germany as much as



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VICE-CHANCELLOR VON PAPEN

they claim. In fact, it seems that they have succeeded in lowering the standard of living. Wages have fallen steadily even though there has been an increase in employment. In 1932 the Krupp works employed 35,647 workers and in 1933, 43,409. At the same time the payroll fell from 69,000,000 marks to 67,000,000 marks. In the automobile industry in Saxony a skilled worker who earned 60 marks a week in 1932 is now receiving 26 marks. These figures could be multiplied indefinitely in other German industries. And it is important to point out that the cost of living has not decreased to correspond with the lower wages. According to the *Frankfurter Zeitung* index, living costs during the last six months have increased by 15.2 per cent.

It is in these figures that is to be found the reasons for the growing dissatisfaction among the German people. Before Hitler came into power he promised them everything under the sun. The Hitler platform contained pledges of nationalization of all

(Concluded on page 5, column 4)

Our Changing Economic Order

(Continued from page 1, column 4)

country had abundant natural resources. There was a wealth of minerals, highly diversified, beyond that to be found in any nation of the world. There were rich farm lands. There was a population satisfactorily energetic, self-reliant and alert.

This population was growing in numbers, and that is a most significant fact. Families were relatively large so that the natural increase was considerable. In addition, immigration was pouring in from northern Europe. This growing population rendered American society dynamic and progressive. Each decade saw more mouths to be fed, more backs to be clothed, more families to be housed, than the preceding decade. Greater quantities of goods had to be produced in order to meet the needs of growing numbers. That larger quantities of goods might be produced new factories had to be built, plants had to be enlarged, equipment had to be fashioned. There was, then, an impetus to the manufacture not only of goods to be immediately consumed, but of capital goods. Employment was, therefore, given to those engaged in the heavy or capital goods industries. This is always the case in a dynamic society or in a society which is on the move.

Expanding Frontier

Closely allied to this influence coming from growing population was the dynamic influence which came from the fact of an expanding frontier. New domains lay to the west to be opened and developed. Here was an outlet not only to population but to goods. Railroads had to be built. New factories had to be erected. A continent had to be conquered.

The opening of these western lands gave exercise to the energy of the American people and speeded industrial output to the limit. But even so, American energies were not sufficient. The old world had to be called upon to help in the developing of the West. Money was borrowed chiefly from England, for the building of the western railroads. Since foreign money was flowing into the country, America became heavily indebted to foreigners. These debts were paid back not in money, for debts to foreigners never are paid back in money to any considerable extent, but in goods. The international balance, due to the fact of our debtor position, was in favor of the foreigners and this balance was corrected through the shipment of goods from this country to other lands. The interest paid to the foreigners rendered them able to buy our goods, and buy our goods they did. They bought chiefly our farm products, our cotton and our wheat and our beef and our pork.

American agriculture was in a position to benefit immensely from the foreign demand. The products of our farms were cheaper than farm products elsewhere. Our lands were relatively cheap. They were new and productive. The costs of production were lower than among the agriculturists of other regions. This was, then, a period of prosperity for the American farmers. They had an expanding domestic market due to the fact that the country was becoming industrialized, and a very satisfactory foreign outlet. The farmers, in turn, furnished a large and growing market for American manufactured products, and this helped in the maintaining of prosperity in the cities. It pushed along the process of industrialization.

Machinery was displacing hand labor to a considerable extent fifty years ago, and there was questioning in some quarters as to whether this might not throw men out of work. There was some opposition to the introduction of labor-saving machinery. Mechanization nevertheless was not proceeding fast enough to be a very disturbing influence. Production did, indeed, tend to outrun consumption sometimes, and there were industrial crises even then. But whenever these crises occurred,

corrective influences soon came into play. Men who were displaced in the factories had an outlet in the west, for there was still a frontier. The farmers were relatively free from industrial crises, and during the periods of stress their purchasing power was fairly well maintained. It often happened, then, that during a period of hard times the farmers had abundant har-

the natural resources of the twenties were relatively unimpaired. The nation was still rich in its minerals and its agriculture. The physical equipment of the nation was an equipment of amazing richness. The people of the nation were as alert, as energetic and as resourceful as their fathers had been. Two great foundation stones upon which a national pros-

sell our goods abroad, paying our debts with our products. Now that we became a creditor nation the situation was reversed. Foreigners needed to pay their debts to us with goods, but were unable to buy goods from us. Our export trade, which had been the very life blood of American agriculture in other days and which had contributed so heavily to the prosperity of our manufacturing industries, was threatened. This became, during the twenties, a menace to continuing American prosperity.

Foreign Lending

For a while, this approaching menace was staved off by artificial means. Though foreigners could not, during the 1920's, buy our goods and pay for them, we made huge loans to foreign countries and the foreigners used this borrowed money to buy our goods. We thus lent them the money to pay for our exports. For a time, namely until 1929, this foreign lending acted as a drug which kept our exports of manufactured goods temporarily alive. But the disease which was after a while to become so apparent was already present.

This lending of money to foreigners, as I have said, kept our exports of manufactured goods going for a while. It did not stimulate the exports of agricultural goods because the American farmers were finding it increasingly difficult to meet competition from younger lands. Here, then, is another condition making for prosperity fifty years ago which was seen to be vanishing in the twenties. Something had happened to American agriculture. Farm lands were relatively high priced. The cost of production on our farms was high. New lands, such as Canada, Australia, New Zealand, South Africa, Argentina and Russia, were coming into the market and were underselling the American farmers, just as fifty years ago American farmers, then living on cheap lands, were able to undersell the farmers of England and France and Germany. For the first time, the American farmer found himself unable to sell his goods abroad. But he had recently increased production with the expectation of selling large quantities of goods to foreigners. When the foreign demand fell off, he was left with a surplus on his hands. And that is why depression came to the American farmer while the rest of the country was relatively prosperous during the 1920's. This is a fact of great importance not only to the farmer, but to the whole nation. The farmer's prosperity was over. The conditions which had made him prosperous half a century ago had disappeared and they have not yet come back. Perhaps those precise conditions will never come back. And so the farmer not only sank into depression himself, but he became a less generous buyer of the products of other American industries. A condition which had made for stability and prosperity of our entire industrial machine came to an end ten or fifteen years ago. This was a new fact in American life and a fact of prime importance.

Equilibrium Disturbed

Now we come to a development which, during the twenties, more immediately affected the economic situation than did any other. The equilibrium between produc-

(Concluded on page 4, column 1)



WHEN AMERICA WAS EXPANDING—GOLD RUSH DAYS IN SAN FRANCISCO
(Illustration in "The March of Democracy" by James Truslow Adams. Scribner's)

vests and were able to sell their goods abroad. This gave them a purchasing power which they used in the purchase of goods, and they were thus able to help start the wheels of industry into motion again.

Effects of Competition

Another influence made itself felt during the times when production threatened to outrun consumption—when more goods were being produced than people could buy, and when surpluses began to appear. At such times, competition came into play, for, though the great corporations were then in the process of developing, our industry had by no means reached the monopoly stage and competition was an effective force. When surplus stock began to appear, producers, competing with each other, were likely to cut prices in order to dispose of their stocks. This fall in prices enabled consumers to buy larger quantities of goods with the same amounts of money. It added to the real incomes of consumers. It created increased effective demand for

goods, and this tended to eat up the surpluses and restore the balance between production and consumption. Dangerous surpluses were then unlikely, surpluses so great as to force factories to close down, turning men wholesale out of work and filling the nation with unemployed.

At the same time that the growth of population slowed down, the frontier vanished from the American scene. In the 1920's the west was gone. The demand for goods, especially capital or durable goods, always needed to develop a new country, slackened. The outlet for workers displaced in industrial processes was closed. America for the first time became an adult nation. For the first time, the people of the country, with the western outlet gone, had to stand their ground and meet the vicissitudes of industrial crises face to face. Now that the country had become more settled the demand for foreign help in equipping the young land ceased. Foreign loans to America became fewer and smaller. Americans quit borrowing from abroad. On the other hand, the American people became lenders. Our government made huge loans to foreigners during and after the war. Individual Americans invested in foreign bonds and securities. America became a creditor nation.

This made it more difficult for foreigners to buy our goods. We saw a while ago that when we were a debtor nation we were able quite easily to

buy the America we read about in our history texts. This is the American system which we cherish. It is the system which we are wondering about today. When we ask whether our economic order can be maintained, we are thinking of that economic order which was in full flower a few decades ago. When we speak of American ideals and traditions of liberty, we think of those ideals which had their inception indeed in the first days of the American experiment, but which had their full development half a century ago in those years of relative progress and promise. Such are the economic and political traditions which are now thought to be in danger. The better to determine whether that danger is real, we should now inquire the extent to which the conditions making for the perpetuation of the earlier American standards have been maintained in the post-war period.

The "Roaring Twenties"

How strong, then, were those influences which had sustained the economic order which prevailed during the last years of the nineteenth century?



—Woodcut by Clare Leighton in FORUM
THE FRONTIER HAS DISAPPEARED FROM THE AMERICAN SCENE



The National Capital Week by Week



A Record of the Government in Action



PRESIDENT ROOSEVELT was hoping to be able to depart June 30 on his longest cruise since entering the White House. Aboard the navy cruiser *Houston*, he plans to visit four of the nation's territorial possessions—Puerto Rico, the Virgin Islands, Panama and Hawaii. His return trip will be made by rail from the West Coast. Before coming back in the early part of August, he intends to get a first-hand view of the huge Columbia river project.

Prior to his departure, the president allocated \$150,000,000 of the \$525,000,000 drought relief funds appropriated by Congress just before its adjournment. This money will be spent mainly in the Northwest, where the dearth of rainfall has caused the greatest damage and suffering. Part of it will go for the establishment of additional CCC camps, part for seed, feed and livestock loans, and part for the shifting of families from bad to good land.

Also, before leaving, the president was confronted with the tasks of signing a large number of bills passed by Congress in its twelfth hour, and with selecting a number of able persons to serve on new commissions, including the Stock Exchange Control Commission and the Communica-



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GLAD THAT'S OVER!
Speaker Rainey mops his brow at the conclusion of the session of Congress.

tions Commission, each wielding newly created authority over two highly complicated phases of business life.

National Planning Commission

Mr. Roosevelt is deeply interested in the preliminary draft of a report that is under preparation by the National Planning Commission of which Frederick A. Delano, the president's uncle, is chairman. This commission is composed of prominent national figures, two of whom are Wesley Mitchell of Columbia University, and Dr. Charles E. Merriam of Chicago. They are attempting to formulate a real long-range program of national con-

servation and development; in other words, to work out policies which they believe should be followed to utilize our "national resources" in such manner as to provide the greatest benefit for the people as a whole. The complete report will be finished soon after Mr. Roosevelt returns from his trip. He plans to use it as a basis for future congressional legislation.

The president's appointment of Frances Perkins to assume charge of the steel labor controversy in his absence is considered somewhat of a rebuff to General Johnson, who has handled NRA labor disputes heretofore. The general's lack of tact, however, so irked labor leaders that his usefulness as a mediator became doubtful.

Miss Perkins' selection was hailed by union chiefs. The dark-eyed, brown-haired secretary is a true and recognized friend of labor, and yet she is so thoroughly a "square-shooter" that her appointment to handle this matter is not deeply resented by steel management.

At the time of this writing, the chief bone of contention between the steel magnates and A. F. of L. leaders centers on the issue of majority representation of workers. William Green, president of the A. F. of L., insists that after elections are held in the various plants, the representatives chosen by a majority of the workers should represent all the workers in negotiating with employers. Although he realizes that the A. F. of L. unions do not have a majority in most of the plants at the present time, he thinks they will have in the not too distant future. And it is his belief that real benefit cannot be derived for workers until genuine labor organizations represent all the workers and are recognized by the employers.

The steel chieftains are holding out for proportional representation, that is, allowing each minority group to be represented by persons of its own choosing. The steel men fear that the majority-representation plan, though not dangerous at present, would give labor unions a powerful weapon as these unions increase in membership, which they are doing by leaps and bounds. "We refuse to permit a 'closed shop' in the steel industry," is their slogan.

Miss Perkins is expected to be able to effect a compromise between the opposing factions. But well-informed observers predict that the administration cannot much longer fail to adopt a clean-cut policy on the matters of collective bargaining and union recognition.

New Labor Board

Speaking of labor, the administration is preparing to set up a new labor disputes agency as a substitute for the now defunct National Labor Board, which was headed by Senator Wagner. But the weaknesses of the Wagner board are being considered

carefully in the formulation of its successor with the likelihood that in many respects it will differ notably. Most important of these differences is to be in its neutral character. The outstanding weakness of the Wagner board was that active members of both labor and industry were represented. Each group was dogmatic and, naturally, there were fundamental differences hard to reconcile. With this in view the new board, according to present plans, will consist entirely of individuals believed to be neutral on labor-industry questions. Thus the board will have a more quasi-judicial character than either the Wagner board or the automobile industry board, which consists of three individuals, one representing labor, one industry and one the government.

The new Railroad Retirement Act has been acclaimed as "the greatest social step in the history of American labor." At least it is the first federal action relative to old-age security for workers. The new act requires the 1,100,000 rail workers to pay a small share of their monthly active service wage into a pension fund. Railroad management is to double the amount paid by the workers. At sixty-five, after thirty years of service on any of the roads, the worker is retired on a comfortable annuity for the rest of his life. This act is a forerunner to the national old-age pension system which is expected to be established by the next Congress.

In spite of the fact that Congress has adjourned, congressional committees will be busy at work during the summer and fall months. We will report the progress of these committees from time to time. All but a few of them will make their studies in Washington. One of the most important of these committees is the House Ways and Means subcommittee, which spent last summer devising plugs for the loopholes in tax laws, and which will spend the remainder of this year on plans for overhauling the entire federal tax system. Few will deny the need of such an undertaking. Our tax system, if it may be termed a system, is extremely haphazard. Local, state and federal taxes have been piled on top of each other un-

mercifully. Years of uncoordinated taxation has resulted in a hodgepodge of overlapping levies.

Political Scandal

All Treasury employees must separate themselves from their political jobs if they wish to continue in office after September 1. Secretary Morgenthau has ordered. More than 100 of the 60,000 Treasury employees will be affected by the order, since about that number belong to political committees. The secretary believes that every employee should devote his entire time and energy to his official work rather than to be aiding party machines.

This order calls attention to what might, if not dealt with quickly and decisively, result in a loss of prestige for the administration. Emergency bureaus are being clogged with political job seekers, many of whom are entirely lacking in the necessary qualifications to fill the positions given them. In bureau after bureau the only possible way one may get a position of any kind or description is to obtain the endorsement of congressmen along with politicians of his native state. The Civil Service System is confronted with a real threat. Competent political observers are questioning whether the political machine being built by Postmaster General Farley may not ultimately do more harm than good to the Democratic party. Secretary Morgenthau has set a good example, and since he was backed by Roosevelt, it may mean that the president intends to strike a blow at the job-filling type of politics.

Something to Think About

1. List the important factors which contributed to the workability and success of capitalism in this country before the World War. Tell how each one affected the general economic machine.
2. Which of these factors has been altered today, and what new conditions have arisen to upset the balance formerly existing?
3. If it is true that productive power and consumptive power were out of balance during the twenties, how is it that the crash was averted until 1929?
4. If you had the authority to outline a comprehensive economic program for the nation, what measures would you adopt to bring about equilibrium between production and consumption?
5. Recent events in Germany indicate that the government and the country as a whole are divided into three main factions. What are they and what are the principal views of each?
6. Do you think that the German people are aware of the seriousness of present economic and financial conditions? Why? Give at least two reasons.
7. Is it likely that Hitler will yield to the demands of the more radical groups which ask such action as the nationalization of the industrial trusts, redistribution of property, and greater concessions to workers?

8. What factor is likely to exert the greatest influence in determining the permanence of the present régime in the Reich?

9. What, in your opinion, would be the effect of currency inflation in Germany?
10. What is the significance of French Foreign Minister Barthou's visit to Bucharest?
11. What action is being taken by Secretary of the Treasury Morgenthau to eliminate politics from his department?

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PRONUNCIATIONS: Frankfurter Zeitung (frahn'foor-ter ts'i-toong-i as in ice), Franz von Papen (frahns fon pah'pen), Junker (voon'ker), von Neurath (fon noy'rath), Kurt Schmitt (koort schmeet), Hjalmar Schacht (hahf'mar shahkt'), Seldte (sell'te), Goebbels (gu'bels— as in burn), Ernst Roehm (airn'st rum-u as in burn), Darré (dah'ray), Ley (lay), Der Stürmer (dair stuer'-mer-u and e pronounced simultaneously), Streicher (shtri'ker-i as in ice), Goering (gur'ing-u as in burn), Nadolny (na-dol'nee-o as in or), Brüning (bruening-u and e pronounced simultaneously), Krupp (kroop), Thyssen (tee'sen).